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DOMÉ PETROLEUM LIMITED



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Interim Report June 30, 1972

TO THE SHAREHOLDERS

Gross income for the six months ending June 30, 1972 totalled \$25,998,000 compared with \$21,879,000 in the same period last year. Cash flow increased 8% to \$8,934,000 (\$.87 per share) while net income increased 6% to \$5,724,000 (\$.56 per share).

Production of oil, natural gas liquids and oil equivalent of gas averaged 34,700 barrels per day, compared with 26,600 barrels per day during the first half of 1971. Forty-seven wells were drilled by Dome and its partners, resulting in four oil wells and 17 gas wells. The drilling program included 34 exploratory wells, 21 of which were drilled at no cost to the Company.

Natural Gas Liquids System

The Alberta Government, by separate Orders-in-Council, has authorized the Company to remove ethane and propane from the Province. These materials would form part of the volumes to be transported to eastern Canada and the United States via the proposed 2,000 mile Cochin pipeline and the Company's system utilizing the existing. Interprovincial pipeline. These Orders contain conditions which create certain practical administrative problems and, as a result, the Company has asked the Alberta Government to modify these conditions. Pending conclusion of these discussions, the Company has requested the National Energy Board to withhold a decision on Dome's applications for permits for the export of propane and ethane and for a Certificate authorizing the construction of the Cochin pipeline.

Engineering and right-of-way procurement are continuing in order to permit the completion of the pipeline by the end of 1973. Two alternate delivery systems are being considered, namely, the delivery of natural gas liquids containing ethane directly to the Company's customers via the proposed Cochin pipeline or the continued utilization of the Interprovincial pipeline for the delivery of propane and heavier natural gas liquids from Sarnia by a short pipeline to Green Springs, Ohio where the Columbia Gas Company's substitute natural gas plant is under construction.

The Company's three million barrel underground storage facility at Windsor, Ontario was completed at the end of June and deliveries of propane have commenced. This storage will form part of the delivery system of natural gas liquids from either of the alternate delivery systems.

Natural Gas Prices

Negotiations for the redetermination of the prices paid for natural gas produced from the Company's gas reserves in the Provost field of Alberta and the Laprise field of British Columbia are currently under way. Gas sales from these two fields represent approximately seventy percent of Dome's total natural gas revenue.

Exploration

Highlights of the second quarter were a significant discovery at Kemik on Alaska's North Slope, the commencement of a major seismic program in Canada's Arctic Islands, a gas discovery in Alberta and three gas discoveries in British Columbia.

At *Kemik*, Dome participated in the drilling of an indicated commercial discovery and earned an 11.75% interest in the well and the contiguous 32,000 acres on this major structure. The well is approximately 55 miles south of Prudhoe Bay on the proposed pipeline route to the Mackenzie Valley. Further details are being withheld because of the availability of competitive unleased acreage in the area.

In the *Arctic Islands*, through its 4.06% ownership of Panarctic Oils Ltd., the Company was involved in the drilling of 14 exploratory wells, four of which were still active at June 30, 1972. By the drilling of the successful Drake Point gas well on the Sabine Peninsula on Melville Island, Panarctic has extended this gas field six miles to the east, thereby adding considerably to the proven gas reserves. Dome holds a 100% interest in 402,000 acres of petroleum and natural gas rights from 10 to 20 miles south of this major gas field.

On-site preparations are currently under way on the Wallis structure on Dome's wholly-owned 190,000 acre King Christian Island permit block, where the first well in the Company's \$30 million exploratory drilling program is scheduled to be spudded this fall.

During the second quarter, Dome-operated crews conducted 198 miles of seismic surveys on wholly-owned Company acreage on King Christian, Amund Ringnes, Haig Thomas and Meighen Islands, and an additional 203 miles were shot jointly with Panarctic on Dome 50%-owned acreage on Ellef Ringnes Island.

The Company plans to resume seismic surveys on Meighen Island as soon as ground conditions permit.

In *Alberta*, Dome participated in a gas discovery at Saddle Hills in the Peace River area. The well is located on a 19,360 acre block in which the Company holds a 50% working interest. At the end of June, drilling was continuing towards lower prospective horizons and further drilling is planned.

In *British Columbia*, Dome participated in three gas discoveries and two indicated gas discoveries in the northeastern part of the Province. In the Nettle area, where the three discoveries were made, the Company holds interests varying from 62% to 100% in 29,100 acres (26,000 net acres). Encouraging gas shows were encountered at Trutch and Lily on lands in which Dome holds petroleum and natural gas rights in 14,400 acres (13,700 net acres) and 9,000 acres (3,000 net acres) respectively.

During the third quarter of 1972, the Company plans to commence the drilling of a deep test well on the Ritchie structure in the Bowser Basin, located 30 miles from tidewater in west-central British Columbia. The major share of the cost of this test will be borne by other companies under a farm-out from Dome.

C. W. MICHEL, J. P. GALLAGHER,
Chairman of the Board. *President.*
August 14th, 1972.

CONSOLIDATED STATEMENT OF INCOME

Six Months Ended June 30, 1972 and 1971

	<u>1972</u>	<u>1971</u>
GROSS SALES AND OTHER REVENUES	<u>\$25,998,000</u>	<u>\$21,879,000</u> †
DEDUCT:		
Operating and market- ing expenses	5,944,000	4,267,000
Cost of propane and other products sold	8,036,000	6,615,000
General and adminis- trative expenses	570,000	442,000
Interest	2,514,000	2,305,000
	<u>17,064,000</u>	<u>13,629,000</u>
CASH FLOW FROM OPERATIONS	<u>8,934,000</u>	<u>8,250,000</u> †
DEDUCT:		
Depreciation	1,946,000	1,570,000
Depletion	1,264,000	1,277,000
	<u>3,210,000</u>	<u>2,847,000</u>
NET INCOME FOR THE PERIOD	<u><u>\$ 5,724,000</u></u>	<u><u>\$ 5,403,000</u></u>
INCOME PER SHARE FOR SIX MONTHS ENDED JUNE 30:		
Outstanding Shares	10,295,061	10,242,102
Gross sales and other revenues	\$2.53	\$2.14
Cash flow from operations	.87	.81 †
Net income for the period	.56	.53 †

This statement is unaudited.

CONSOLIDATED STATEMENT OF SOURCE AND APPLICATION OF FUNDS

Six Months Ended June 30, 1972 and 1971

	<u>1972</u>	<u>1971</u>
SOURCE OF FUNDS:		
Cash flow from operations	\$ 8,934,000	\$ 8,250,000
Term bank loans	2,000,000	3,000,000
Issues of capital stock	357,000	451,000
	<u>11,291,000</u>	<u>11,701,000</u>
APPLICATION OF FUNDS:		
Expenditures for property, plant and equipment	13,437,000	14,399,000
Less amount contribu- ted by Columbia Gas Development Corporation	6,094,000	3,995,000
	<u>7,343,000</u>	<u>10,404,000</u>
Reduction of long term debt	7,295,000	4,360,000
Investment in Panarc- tic Oils Ltd.	271,000	444,000
	<u>14,909,000</u>	<u>15,208,000</u>
DECREASE IN WORKING CAPITAL	<u><u>\$ 3,618,000</u></u>	<u><u>\$ 3,507,000</u></u>

This statement is unaudited.

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**DOME
PETROLEUM
LIMITED**



**INTERIM REPORT
DECEMBER 31, 1972**

TO THE SHAREHOLDERS

The following is a summary of financial and operating results for the year 1972 with comparative figures for 1971:

	<u>1972</u>	<u>1971</u>
FINANCIAL		
Gross Income (after royalties)	\$52,800,000	\$41,510,000
Cash Flow (after interest)	\$17,300,000	\$15,902,000
Cash Flow per share	\$1.68	\$1.55
Net Income (before extraordinary items)	\$10,800,000	\$10,203,000
Net Income per share	\$1.05	\$1.00
OPERATING		
Production (net barrels per day of oil, natural gas liquids and oil equivalent of gas)	35,010	28,185
Wells drilled - gross	103	81
Wells drilled - net	30.1	19.3
LAND*		
Working Interest gross acres	46,281,000	22,112,000
Working Interest net acres	25,074,000	16,403,000
Royalty Interest gross acres	44,612,000	2,153,000

*Includes Transalta acreage (see below).

These figures are unaudited.

At year-end a number of important exploratory wells were being drilled by the Company. These include an indicated gas discovery at the Wallis location on King Christian Island in the Canadian Arctic, the Stony and Fort MacPherson wells in the Mackenzie Valley and the Ritchie test in the Bowser Basin of west-central British Columbia.

In January, 1973 the Company purchased all the outstanding shares of Transalta Oil & Gas Limited, Transalta Exploration Ltd. and Transalta Oil & Gas (Alaska) Inc. These companies hold working interests in 25 million gross acres (10 million net acres) and royalty

interests in an additional 42 million gross acres of oil and gas rights in Western Canada and in the frontier areas of the Canadian Arctic Islands, Mackenzie Delta and the Canadian East Coast. Much of this acreage is adjacent to Dome's land holdings, and exploration and work commitments thereon can be carried out through the extension of existing planned programs.

Work has commenced on the pipeline system to deliver natural gas liquids from Dome's underground storage plant at Windsor, Ontario, to the Columbia LNG Corporation substitute natural gas plant at Green Springs, Ohio. This system will employ two existing river crossings connecting the Windsor storage with the U.S. side of the Detroit River.

If expectations of higher gas prices are realized in 1973, the Company will undertake an extensive drilling program in Western Canada to develop its uncommitted gas reserves and increase production from existing gas fields. The recent crude oil price increase of 20 cents per barrel should help to offset the effects of inflation on the profitability of oil production and encourage greater exploratory efforts by the industry. During the past ten years, Canadian crude oil prices, including the recent increase, have risen by an average of 1.8% per year compared to average annual increases of 3.5% in the cost of living and more than 4% in the cost of petroleum industry materials and labour.

C. W. MICHEL, J. P. GALLAGHER,
Chairman of the Board. President.

January 31st, 1973